

News Messenger #28
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SCTA Board Approves a Tentative Letter Agreement Subject to Ratification of Membership

Dear Colleagues,

The SCTA Board of Directors voted this weekend to recommend a two-year agreement that aims to help save jobs and support your health benefit programs for the long term.

Voting will take place at your schools. The ballots are due to the SCTA office by **Thursday evening, June 17**. Reps are asked to bring in the ballots to the office. If you do not receive a ballot for voting at your school, you may come into the SCTA office to cast your vote. If your school roster does not show you as a member, come to our office to fill out a membership form and cast your vote.

SCTA is disappointed that the Sacramento Bee chose this morning to portray the agreement in the manner it did without knowing all the details. The Bee reporters continue to lack the sophisticated skills necessary to report accurately and they also lack the general ability to comprehend an entire agreement. While the agreement includes an initial contribution of dollars from teachers to support their fellow teachers, it also incorporates a system that makes most teachers whole over time with the delayed start salary increase and the controlled increases to our health benefit plans. There are many trade offs that will benefit active and retired teachers for the short and the long term.

SCTA Board Recommends Agreement

The purpose of the amendments is to help maintain as many unit positions as possible and to help deal with serious district budget issues over a two-year period. The agreement aims to maintain the 25:1 CSR program, save up to 90 positions, and also support the counseling program. To accomplish this, the agreement would require mandatory contributions from all members without changing the salary schedule while maintaining the same number of teaching days.

The amendments also deal with a number of issues related to retiree benefits and certain parts of the Health Net copay system and Kaiser copay rebates. The savings from the changes will first go to a legally developed retiree benefit trust program and then onto the salary schedule as an increase at a later date. The changes also will require teachers to help fund the retiree benefit trust with ongoing support. Additional changes will improve benefits in some of our plans.

The changes include supporting retiree benefits by increasing the vesting period for earning those benefits. The agreement allows current unit members to retire under the current system of 10 years before the new vesting period applies.

The amendments also provide for the use of the CPT funds for restoring unit member positions and allow for CPT time to count as hours for the 18 hours of Professional Development.

Explanation of the Major Parts of the Tentative Letter of Agreement by Section

1. As part of a contract extension for two years, the district will deduct \$95 a month from each teacher's paycheck. SCTA and the District will work to see if the amount can become tax free if legal or made as a donation if legal. The contribution money will be directed at K-3 CSR to maintain about 90 teaching positions. Extra Elementary prep positions will not be generated to prep the teachers. **The contribution method will avoid reductions in all salary schedules. All schedules will stay the same as they are now, including step and column. This means that teachers will not lose any STRS retirement value. By maintaining the same**

instructional days and minutes, we will also maintain the same level of district funding. The contributions **will not** be deducted from substitutes or part time adult education hourly employees who are not receiving District paid benefits.

2. It is always possible that the district will receive new funds. If they do, we will open discussions as to the use of funds.
3. This agreement would change common planning time (CPT) so that every school may offer 20 hours of CPT after or before the regular teaching day without banking. The hours will be voluntary and count for the 18 hours of Professional Development (PD) for K-12 teachers (24 for 8 hour- employees). There will be no extra per-session pay for the hours. The CPT hours will only count toward PD. The CPT funds will be used to restore SCTA positions. This change will use the funds more fairly and treat the unit more equally.
4. Health benefit costs are rising, and some plans have become far more expensive than others per month. The agreement changes a few copays but keeps virtually all of our programs the same. In some cases, the changes add some benefits while saving funds to underwrite retiree benefits and putting the savings on the salary schedule. Health Net drug copays would change from \$5 for generic and brand names to \$5 for generic, \$15 for brand names, and \$35 for specialty and non formulary drugs. The Health Net Contract already calls for using generics when possible and about 80% of the drugs are generic. The \$35 cost is actually a benefit because teachers pay far more for these types of drugs. There are no other changes.
 - 4b. Our current out-of-area plan for retirees over 65 costs nearly three times as much as the local costs. Those higher costs are blended and averaged with other programs thus increasing the cost to those programs, too. Based on recommendations, we will use a plan for the out-of- area retirees that costs about the same including having their Medicare B cost paid by the district. Their benefit coverage will be generally the same, but the retirees will not have to pay for Medicare B, which costs about \$90 dollars a month out of pocket.
 - 4c. The Kaiser program includes a rebate for each prescription. The rebates will end and be directed to pay for chiropractics, which currently are not included, and possibly some vision surgery procedures that are also not covered if there are sufficient savings. The current Kaiser Premium cost per month is about 15% less than the Health Net plan.
 - 4d) **The savings from 4a and 4b will be used to start a retiree trust to help pay for retiree benefits and then placed on the salary schedule starting in July 1, 2012, except for some salary increases that will start July 1, 2011.** This is an important part of the agreement. Whether we like it or not, retiree costs and active costs are increasing, and we have to find ways to pay for the program or we will be in danger of losing the benefits. **SCTA and the district have made recent contractual agreements in prior years to form the trust and now we are funding our past agreements.** The district has what is known as a GASB 45 Actuarial accrued liability that is currently pegged at about \$550,000,000 for the current retirees and those in the process of vesting. GASB stands for Governmental Accounting Standards Board. In the past, SCTA and district negotiated a pay as you go program when costs were less and there were fewer retirees. Now there are nearly 2000 retirees. **To legally form the trust, SCTA and the district will use a third party to help create the program that will hold and invest the funds.** The amounts of the savings that will be applied to the trust and salary schedule are not currently known, but they may be in the area of \$1M to \$2M per year. The joint trust once formed will be able to use the funds for benefits only, and will give advice to the SCTA and District. The salary increase will be applied as a flat dollar amount so that every teacher will receive the same increase regardless of placement on the salary schedule.

5. SCTA and the District will review a possible retirement incentive. It could be like the recent PARS golden handshakes or other ideas depending what will create cost savings. As with the other golden handshakes, there is no guarantee unless there are cost savings.
6. The agreement will work to refocus the 18 hours of Professional Development in a collaborative manner. The focus will need to coordinate with the new CPT program.
7. To help make retiree benefits affordable and to keep the program sustainable, we are seeking an increase for the number of years to vest to qualify for lifetime benefits. SCTA has been looking at this change for a number of years as part of a whole agreement that creates a retiree trust. The few districts that have life benefits have also made vesting changes. The agreement spells out the changes and gives current members three years to make a decision to retire with the 10 years or work longer to vest. This change will make the GASB actuarial costs less and make the annual district costs less over time. The original intent of lifetime benefits was to reward career employees. We cannot afford to have someone who works for just 10 years and then earn 20 to 40 years of life benefits at today's cost. Also, the agreement will allow retirees receiving benefits to choose an opt-out provision and annually receive 50% of the dollar value of the local premium cost so that they may purchase other insurances, such as vision, dental, long term care or related benefit programs. The other 50% will be directed to GASB retiree trust.
8. Also, SCTA wants to maintain ongoing support for the GASB retiree trust and is asking members to contribute an ongoing \$15 a month next year and then \$20 a month the following year on a tax free basis. Elk Grove teachers are contributing far more. The SCTA/District GASB trust program and the contributions will have a direct positive effect on our active costs and the district's ability to support active benefits, as well as improve the district's financial standing. The delayed start salary increase is expected to cover and exceed the contribution.
9. We agreed to make the contract changes as soon as possible if approved.
10. A parcel tax is necessary if we are going to sustain CSR and other programs. Otherwise we are going to face more lay offs and more difficult efforts to maintain our programs. A parcel tax would help the district budget and allow for more support for benefits and improved salary.
11. Regarding the calendar, the intent is to look at moving the Lincoln holiday to the Thanksgiving week and moving the non-instructional day. The last day of school would become a teaching day and the whole week of Thanksgiving will be off.
12. This agreement must be approved by membership. It is a two-year agreement and will only reopen at the end of next year if the County issues a negative certification to the District's budget for the 2011-12 school year. A negative certification is highly unlikely. A negative certification would mean that the District would be taken over by an outside financial administrator who would be in a position to cause serious changes that would not be in the best interests of membership. Oakland and Richmond are examples of take over.